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## *High-tech Sector*

### *Japan's Electric Power Companies Get Serious About IP Phone Service*

Tohoku Electric Power and Kansai Electric Power are planning to start IP phone service using their own optical fiber network, instead of ADSL. This will eliminate the need to pay the basic monthly charge to NTT. If the service is successful it will affect NTT's income from the basic monthly charge.

### *Electronics Manufacturers Stepping Up Capital Investment*

Manufacturers of LCD panels, semiconductors, electronic components and electronic materials are moving up plans to bring new plants already under construction on stream and stepping up investment for adding capacity. Among those adding capacity are Sharp, Sony, Murata, Nichicon, and Nitto Denko.

### *Outlook for SPE Demand*

According to SEAJ, sales of Japanese-made SPE in fiscal 2002 are likely to be up 3.5% to ¥914.8 billion. While this will represent the first gain in two years, the growth forecast has been scaled down from the August projection, which saw a 6.1% increase. The trade body sees demand in fiscal 2003 rising by 17.3% to ¥1.07 trillion. Sales of Japanese-made LCD panel production equipment in fiscal 2002 are now expected to rise 24.0%, an increase of 4.8 percentage points compared to the previous forecast, to ¥285.9 billion.

### *Consumer Electronics Firms to Set up Joint Venture for Music Distribution*

Japan's four major consumer electronics firms – Sharp, Sony, Pioneer, and Kenwood – have agreed to set up a joint venture (Any Music) to distribute music directly to consumer audio devices. The new service is to be launched early next year.

### *EMS Growing in Asia*

The electronics manufacturing service is catching on in Asia. Unlike EMS models found in Europe and the U. S., EMS service providers in Asia, particularly in Taiwan and Singapore offer even small lot and flexible manufacturing services to meet the specific and changing needs of their customers. The global EMS market for 2003 is estimated at US\$80 billion.



### ***Digital Camera Sales Top Film Camera Sales***

With sales topping those of the film camera, the digital camera is replacing the conventional camera as the main consumer photographic device. Shipments of digital cameras in 2002 totaled 24.55 million units, surpassing the 23.66 million units recorded for the film camera. Domestic shipments of digital cameras were up 66.4% and export shipments rose 81.4%. On the other hand, domestic shipments of film cameras were off 25.7% and exports declined 12.9%. Total digital camera shipments in 2003 are expected to increase 27.8% to 31.45 million units.

### ***Connector Market to Look Up in 2003***

According to a recent survey, Japan's connector manufacturers see connector demand as having bottomed out and set to resume growth in 2003. According to the findings, roughly half of major connector manufacturers expect demand to rise in Japan and three-fourth expect global demand to increase in 2003. About one-third expect sales to increase by double-digit figures, driven by strong demand from the mobile phones, digital camera, and other digital device sectors. By type of connector, demand for memory card connectors and connectors for automotive applications are expected to increase.

### ***PC Shipments Slow in 2002 4Q***

Shipments, including exports, of personal computers were down 5% year-on-year to 2.55 million units in the 4<sup>th</sup> quarter of 2002, according to JEITA. The value of shipments fell 7%. The average price was ¥166,000. However, demand for relatively expensive models supporting TV and DVD functions is increasing.

### ***PDP, DVD Shipments at Record High in December***

Shipments of consumer electronic items in December rose 7.2% year-on-year to ¥260.9 billion, according to figures released by JEITA, a trade body. Sales of video devices, led by PDPs, LCD TVs, and DVDs, rose 13.3%. Shipments of car AV devices were also up 8.7%. Shipments of PDPs were up 54.1% and those of LCD TVs rose 57.0%. In audio devices, shipments of IC recorders were up 50.1%. Shipments of car navigation systems rose 15.9% from the same month in 2001.

### ***Plant Orders Rebounding***

Combined orders for plants at Japan's three major plant builders in fiscal 2002, the year ending March 2003, are expected to top forecasts by 40%. Orders are being driven by growing demand from the energy development sector and for alternative energy development.



### **Earnings Roundup**

#### **Canon Sales Set for Strong Profit Growth in 2003**

Canon Sales expects to increase its consolidated ordinary income for the current term ending in December 2003 by 20% from the previous year to ¥12.0 billion, on a year-on-year sales gain of 8% to ¥750billion. The company expects digital cameras, inkjet printers and other consumer electronics products to drive demand.

#### **Oracle Japan's Interim Profits Plunge**

Oracle Japan reported a 36% decline in its ordinary income to ¥10.5 billion for the interim period ended November 2002. The company blamed a higher cost-of-sales ratio for the decline. The company is cutting interim dividend by ¥5 per share to ¥35. Net sales fell 10% to ¥19.3 billion.

### **General Economy**

#### **Record Number of Firms Delisted in 2002**

A record 78 issues were delisted in 2002, due mainly to bankruptcies and mergers and acquisitions caused by the prolonged recession in Japan, according to the Tokyo Stock Exchange. Of the total, 48 were delisted because of mergers and acquisitions. Ten listed firms went bankrupt and 8 were liquidated. On the other hand 94 companies were listed on the market, the second highest number after 2000 when 158 firms were listed, indicating that businesses continue to show strong interest in fund raising despite a sluggish market. With the Tse tightening up listing standards, more companies are expected to be delisted in 2003.



**Basic Electronics Industry Statistics**

	Prod.	Ship.	Inv.	Capacity utilization.	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices
Oct	99.2	103.2	102.9	68.8	2,037	1,683	15,311	1,847	6,803	6,661
Nov	98.5	104.0	98.4	69.7	2,026	1,624	15,443	1,695	7,233	6,515
Dec.	101.6	105.6	95.8	66.3	2,010	1,601	15,310	1,411	7,488	6,411
Jan.	100.0	106.3	92.3	65.0	1,920	1,358	13,562	1,093	6,342	6,127
Feb.	101.4	106.9	90.8	77.0	2,123	1,736	14,969	1,365	7,184	6,421
Mar.	104.8	110.3	85.6	91.7	3,009	1,887	19,197	1,582	10,386	7,228
Apr.	108.7	114.4	84.2	77.2	1,849	1,797	14,411	1,470	5,760	7,182
May	117.2	123.2	87.9	80.9	1,818	1,872	15,451	1,649	6,324	7,478
June	115.4	121.2	85.8	86.2	1,875	2,078	16,176	1,691	6,881	7,604
July	113.7	118.0	90.8	86.3	2,015	2,060	16,056	1,775	6,285	7,997
Aug	117.1	123.5	89.9	72.6	1,841	1,297	14,736	1,482	5,937	7,318
Sept.	116.2	120.9	93.9	84.9	2,465	1,555	17,659	1,762	8,117	7,780
Oct.	117.3	125.6	93.5	80.6	1,942	1,577	16,161	2,030	6,169	7,962
Nov.	112.7	120.0	89.5	76.5						
YoY	14.4	15.4	-9.0	9.0	-4.6	-6.4	9.1	10.2	-5.1	22.9

Base year 1995 = 100; 100 million yen, YoY: Year-on-year percentage change

Source: Ministry of Economy, Trade and Industry, Japan Electronics Industry Association and other trade associations

